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TAGS: [ECON](#) [EFIN](#) [PGOV](#) [IZ](#)
SUBJECT: COUNCIL OF REPRESENTATIVES APPROVES 2007 BUDGET

REF: A. BAGHDAD 408
[1](#)B. BAGHDAD 290

Classified By: Economic Minister-Counselor Daniel Weygandt for reasons
1.4 (b) and (d).

[¶](#)1. (C) Summary: The Council of Representatives approved the 2007 budget at 18:30 on February 8, just before going into recess. Negotiations between the Kurds and the central government were tentatively concluded late afternoon on February 8, with an agreement to 'reach an agreement between the Prime Minister and the President of the Region to equip, arm, and pay the region within the National Defense System.' This agreement appears open to interpretation - CoR members of different parties have different understandings. Other changes include transferring 5% of the 'social benefits' allocation from the Prime Minister, Presidency Council, and Council of Ministers to the Council of Representatives, and eliminating the article authorizing specific loans from Japan, Iran, Saudi Arabia, and the World Bank. The 10 billion dollar investment budget remains intact. Having fulfilled its constitutional requirement to pass the budget before the end of the legislative term, the CoR recessed until early March. End Summary

The CoR Votes

[¶](#)2. (U) Voting on the budget was not on the CoR's published agenda as of the morning of February 8, as negotiations continued about the funding of the Kurdish Peshmerga. After a full morning session the CoR decided to return after lunch to vote on the budget, and the day's session went much longer than usual. The Speaker called for a vote on the whole budget law, which reportedly passed with 157 votes. (Note: The morning session had about 180 members present, and assuming several did not return for the second part of the session, the budget was passed with an overwhelming majority of those present. End note.) A member of the Shi'a coalition objected to the quick vote and requested a more thorough review of articles which had changed since prior budget discussions. The members agreed to vote on changes to previous drafts. During this process the article authorizing the government to sign specific loans with Japan, Iran, Saudi Arabia, and the World Bank was voted down. A final vote was again held on the 'whole budget', which passed with a large majority (no count was reported), and the members congratulated each other with applause. Immediately following this vote, the Speaker continued to read out more changes, and the CoR voted to reallocate 5% of the 'social benefits' allocation of the Prime Minister, Presidency Council, and Council of Ministers to the Council of Representatives. The CoR was then addressed by the Minister of Health about a US-Iraqi arrest of a Deputy Minister of Health earlier that day, and then recessed until early March.

Funding the Peshmerga

¶3. (C) The last minute rush to vote on the budget was caused by a dispute about the funding of a 'Regional Guard', the Kurdish Peshmerga (ref A). This issue emerged after the Kurds walked out of the January 27 session dedicated to voting on the budget (ref B) and was not resolved until the afternoon of February 8. The agreement, as reported in a press release from the First Deputy Speaker Khalid Attiya, is that "agreement shall be reached between the Prime Minister and the President of the Region to equip and arm the regions within the National Defense System". Kurdish members of the CoR reported to emboffs that this meant that the GOI PM and KRG president would agree on allocation to equip, arm and pay the salaries of the Peshmerga out of central funds. The Kurds were clearly pleased. Finance Committee Chair Ayad al Samara'i (Tawafuq - IIP) described this additional language to the budget law as largely insignificant; since no specific allocation was given to the Peshmerga, and any new allocation would have to come to the CoR for approval before it would be released. Ridha Jawad Taqi (SCIRI - UIC) described the resolution of negotiations as 'postponing the dispute'. It remains to be seen how this agreement will be implemented.

"Still Problems, But It Needed to Pass"

¶4. (C) After a long day, CoR members seemed pleased with themselves for finally passing the budget. Ayad Al Samara'i said that there were still problems with the budget, but that it needed to pass. Specifically, in his review as the Finance Committee Chair he did not see enough planning from the line ministries - when asked to justify their budget requests they were unable to come up with specific plans, and so he thinks it will be difficult to execute the full budgets. Still, Al Samara'i, as other members, felt a sense of accomplishment about the CoR's work. (Note: Following the end of the session, there was a reported threat of a car bomb on the only road driving out of the CoR, and members were unable to leave the area for another two hours. End note.)

Comment

¶5. (C) The CoR's 70th session of February 8 is evidence of what the CoR can accomplish when it must, and that members are willing to stay in session until 19:00 to do so. The sense from the CoR was that the final budget was not perfect, but that the country needed it to pass; members did feel a sense of urgency. The budget law was approved with an overwhelming majority, the 10 billion dollars for capital investment projects is intact, and now the GOI can focus on the real challenge of executing its budget.
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